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ABSTRACT

The Workforce Virginia 2000 Advocacy Council committee recommends that for Virginia to respond effectively to the growing global challenge, it must take positive action aimed at improving the productivity and skills of its work force and establishing high performance work organizations. Virginia must shift to a high performance work organization guided by the principle of reducing bureaucracy by giving direct authority to workers for a wider variety of tasks. The cornerstone of a high performance work organization is the educated, higher-skilled worker. The high performance work organization is applicable in some form to almost every industry. The benefits of reducing costs through streamlining operations and increasing quality through the presence of better trained individuals are significant. Deterrents to reorganization are many: a large initial investment to re-educate workers and redesign their environment; fear of loss of newly trained workers to other jobs; and years to realize the returns for reorganization. The Committee on Worker Training recommends the following: develop and financially support continuous work force education, training, and retraining programs; create tax credit incentives for businesses to invest in their human resources; support creation of a statewide Quality Council; and financially support creation of a statewide network for Total Quality Institutes. (YLB)

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ED 361 480

REPORT OF THE
SECRETARY OF EDUCATION AND THE
SECRETARY OF ECONOMIC DEVELOPMENT ON

The Case For High Performance Work Organization

TO THE GOVERNOR AND
THE GENERAL ASSEMBLY OF VIRGINIA

HOUSE DOCUMENT NO. 41

COMMONWEALTH OF VIRGINIA
RICHMOND
1993

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
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COMMONWEALTH of VIRGINIA

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January 5, 1993

TO: The Honorable L. Douglas Wilder, Governor of Virginia,
and Members of the General Assembly

House Joint Resolution 86 requested the Secretary of Education and the Secretary of Economic Development, in cooperation with the Workforce Virginia 2000 Advocacy Council, to develop recommendations regarding incentives to encourage employers to embrace and implement the workforce education recommendations of the Governor's Advisory Committee on Workforce Virginia 2000. We have the honor of submitting herewith the Committee on Worker Training of the Governor's Advocacy Council for Workforce Virginia 2000 report in response to House Joint Resolution 86.

Respectfully submitted,

James W. Dyke, Jr.
Secretary of Education

Cathleen A. Magennis
Secretary of Economic Development

JWDJr/CAM/mm

Enclosure

ACKNOWLEDGEMENTS

A report prepared in response to House Joint Resolution 86 of the 1992 General Assembly by:

Committee on Worker Training of the
Governor's Advocacy Council for Workforce Virginia 2000

The Honorable William W. Bennett, Jr.
Sherman P. Parker
George R. Perry
Robert G. Templin, Jr., Chairman

The advent of modern communication and transportation has proclaimed a new age for the world economy. In this age, the American production techniques and know-how that were once the envy of the world are becoming outdated. U.S. and thus Virginia markets, long protected and isolated by two vast oceans, have been inundated by foreign products with higher standards of performance and quality while simultaneously carrying attractive price tags. Currently, more than 70% of American manufactured products face competition from abroad[1]--a stark reality at a time when American productivity growth is at an all-time low.

Faced with a future in which additional advances in communication and transportation will continue to knit the global economy even tighter together, it is imperative that action be taken to remedy the trend of declining productivity. This Workforce Virginia 2000 Advocacy Council committee recommends that in order for Virginia to respond effectively to the growing global challenge, it must take positive action aimed at improving the productivity and skills of its workforce and establishing high performance work organizations.

Presently, Virginia's economy, like the rest of America's, exhibits primarily the low-skill, high-wage traits characteristic of a classical industrial-era mass production work model. Designed by Frederick Taylor and made famous by Henry Ford at the turn of the century, this model operates by assigning workers simple, well-defined repetitive tasks in a mass production environment requiring little need for an educated workforce. Decisions dealing with production strategy and work organization are made by a small group of educated managers and planners. Through a complex hierarchy of administrative procedures, this core directs the large, uneducated workforce.

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[1]Learning a Living: A Blueprint for High Performance, The Secretary's Commission on Achieving Necessary Skills, U.S. Department of Labor, Washington, D.C., April 1992, p.3.

The Taylor model made America highly productive during the 50's and 60's and has consequently defined the organization of "our schools, our offices, our banks and our hospitals."[2] However, this model of work organization has proven incapable of delivering the high product quality, flexibility, or the increased sensitivity to customer wants and needs that today's marketplace demands. The bureaucratic managerial techniques of the Taylor model are too inflexible to effectively cope with an increasing number of complex production steps. The resulting poor communication and supervision translate into lengthened production times and products plagued by defects.

Because foreign labor offers a cheaper, more efficient alternative to domestic labor, a high-wage nation like the U.S. "can succeed only by producing higher quality products, providing customers with greater product variety, introducing new products more frequently and creating automated systems which are more complex than those that can be operated in low-wage countries.[3] To attain such a goal, Virginia and the U.S. must shift to a high-performance work organization--a work organization whose guiding principle "is to reduce bureaucracy by giving authority to direct workers for a wider variety of tasks."[4]

The cornerstone of a high performance work organization is the educated, highly-skilled worker. Convoluted production procedures requiring large managerial layers for implementation are replaced by workers capable of reaching decisions using their own judgement. In this arrangement, front-line workers assume tasks previously reserved for management; i.e., quality

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[2]America's Choice: high skills or low wages!, National Center on Education and the Economy, New York, June 1990, p.37.

[3]Ibid, p.38.

[4]Ibid, p.39.

control, material control, and production scheduling. Tasks that previously required dozen of unskilled laborers are transformed into tasks carried out by fewer, highly skilled people managing manufacturing cells in a team-oriented work environment. The high performance work organization is applicable in some form to almost every industry. From manufacturing to banking, the benefits of reducing costs through streamlining operations and increasing quality through the presence of better trained individuals are significant.

Nevertheless, deterrents to reorganization are many. A large initial investment is necessary to reeducate workers and redesign their environments. Furthermore, many companies fear losing newly trained workers to other jobs. Together with the fact that the returns for reorganization typically take several years to realize, it is easy to see why the majority of small and medium businesses--especially those without surplus funds or competition that threatens their survival--would continue to pursue the older type organization.

Maintaining the status quo, however, is not the answer. Larger corporations located in Virginia, such as IBM, Xerox, Corning and Siemens compete on an international scale and are already enjoying the returns of their investments in worker training and work reorganization. As their standards of production quality increase, so too does the pressure on their suppliers to provide support equipment and services of comparable quality. Several state governments--most notably Texas' and Oregon's--are currently working in conjunction with large corporations in an effort to spread awareness and create opportunities for medium-sized and small businesses to pursue high performance work organization. Moreover, a recent study by the Southport Institute for Policy Analysis entitled, The Missing Link: Workplace Education in Small Business shows that, in fact, many small companies are interested in work reorganization and worker education. Two barriers to a first step, however, were cited by small companies: 1) a lack of

information to know whether a reorganization program would be valuable, and 2) ignorance of where to seek help.

Virginia is on the threshold of redesigning its education system. The thrust of these efforts must not be limited to school reforms. Industry and the rest of the world will not wait for 12 years while our schools produce a new breed of student for the workplace. Instead, "the advent of the computer, high speed communications and universal education is heralding a third industrial revolution"[5] now, and we must seize the initiative accordingly by providing incentives and opportunities for workforce reorganization and continuous training and retraining to occur. If we do not provide clear paths for reorganizing work toward the creation of high performance organization and for worker retraining, Virginia is likely to witness continued stagnation in productivity, declining real wages, and a lower standard of living for more and more of its citizens.

Consequently, the Committee on Worker Training recommends the following steps be taken to create incentives which encourage Virginia employers to develop continuous training programs for their current workers at all levels to assure their continuing development toward world-class standards and to allow the workplace to take full advantage of employees' potential:

1. The Commonwealth of Virginia should develop and financially support continuous workforce education, training and retraining programs designed to assist Virginia companies in becoming more globally competitive high performance organizations through increasing the knowledge and skill of its front-line workers. Special attention should be given to the needs of Virginia workers who may be vulnerable to company

[5]Ibid, p.41.

layoffs and economic dislocations and to companies seriously affected by defense cutbacks or global competition.

2. The Commonwealth of Virginia should create tax credit incentives for small and medium sized businesses employing under 200 workers to invest in their human resources--especially front-line workers--through continuous workforce education, training, and retraining programs.

3. The Commonwealth of Virginia should support the creation of a statewide Quality Council which will work to create awareness of the principles of Total Quality and facilitate the flow of information and technical services needed to provide support to companies seeking to reorganize work and create high performance organizations.

4. The Commonwealth of Virginia should financially support the creation and initiation of a statewide network of Total Quality institutes which would provide training, at the community level, to small and medium sized companies in the principles of Total Quality and high performance work organization.

5. The Secretary of Education and Secretary of Economic Development should develop implementation strategies for the subcommittee's recommendations. These strategies will be for consideratior in 1994-96 and should include foremost the estimated cost for each recommendation.